

**City of Keokuk**

**Independent Auditor's Report  
Management's Discussion and Analysis  
Financial Statements and Supplementary Information  
Independent Auditor's Reports on Internal Control and Compliance  
Schedule of Findings and Questioned Costs**

**June 30, 2009**

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## City of Keokuk

### Officials

| <u>Name</u>           | <u>Title</u>            | <u>Term Expires</u> |
|-----------------------|-------------------------|---------------------|
| David A. Gudgel       | Mayor                   | December 31, 2009   |
| Susan Dunek           | Mayor Pro-term          | December 31, 2009   |
| Douglas Matlick       | Council Member-At Large | December 31, 2009   |
| Mark Hoyt             | Council Member-At Large | December 31, 2011   |
| Michael O'Connor      | Council Member-Ward 1   | December 31, 2009   |
| Scott Nichols         | Council Member-Ward 2   | December 31, 2011   |
| Michael Baum          | Council Member-Ward 3   | December 31, 2009   |
| Roger Bryant          | Council Member-Ward 4   | December 31, 2011   |
| Justin Tuck           | Council Member-Ward 5   | December 31, 2009   |
| Gary Stepp            | Council Member-Ward 6   | December 31, 2011   |
| Susan Dunek           | Council Member-Ward 7   | December 31, 2009   |
| John Russell          | Finance Manager         | Indefinite          |
| Shirlee Laubersheimer | City Clerk              | Indefinite          |
| Tom Marion            | Attorney                | Indefinite          |
| Thomas Crew           | Chief of Police         | Indefinite          |
| Mark Wessel           | Fire Chief              | Indefinite          |



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## **Independent Auditor's Report**

Honorable Mayor and City Council of  
the City of Keokuk, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Keokuk, Iowa (City) as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principals generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City as of June 30, 2009, and the changes in its cash basis financial position for the year ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City as of and for the year ended June 30, 2009, and the respective changes in financial position - cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 1, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 10 and budgetary comparison information on pages 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the one year ended June 30, 2008 (which is not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the five years ended June 30, 2007 (none of which are presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting.

The supplementary information, as listed in the table of contents, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

*CPA Associates PC*

December 1, 2009

## **City of Keokuk Management's Discussion and Analysis**

The City of Keokuk (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which begin on page 11.

### **FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 85%, or approximately \$8,779,000, from fiscal 2008 to fiscal 2009. The City received bond proceeds of \$6,329,000, an operating grant for Roquette for \$1,000,000 and operating grants from FEMA for flood damage of \$1,475,000.
- Disbursements of the City's governmental activities increased 75%, or approximately \$8,631,000, in fiscal 2009 from fiscal 2008 due to the operating grant for Roquette for \$1,000,000, debt repayment of \$3,000,000, flood repair of \$2,175,000 and the new aquatic center of \$2,472,000.
- The City's total cash basis net assets decreased 11%, or approximately \$1,260,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$741,000 and the assets of business type activities decreased approximately \$519,000.
- In FY 2008-2009 the City of Keokuk, expended funds for the following capital projects which include streets, airport, the new aquatic center, waste water treatment and storm sewer separation. In the area of street construction, projects included North 16th from Main to Morgan, Timberline and South 14th Street, Concert from 10th to 16th Street, Fulton and Orleans Avenue. 2006 GO Bond funds in the amount of \$901,315 were used to finance work on these projects. The Missouri avenue and Main Street projects in the amount of \$704,827 were partially funded by federal grants. At the airport, \$278,908 was expended for fencing and continuing work on the updated master plan. The federal reimbursement was 95% of the cost of these projects. At the waste water treatment plant, the digester project was completed with 2009 expenditures of \$381,976 and ongoing CSO Storm sewer project expenditures were \$246,042. Lastly, the new aquatic center was started in the fall 2008 and completed in early 2009 with expenditures of \$2,472,633 in the current year.
- The City of Keokuk continues to work with the Keokuk Habitat for Humanity to provide assistance in the construction of affordable housing. Keokuk also will be in receipt of monies through Southeast Iowa Regional Planning for restoration of homes in blighted areas, site specific, which has and will increase residential valuation and pride for our Keokuk citizens.
- In FY 2007-2008 Keokuk dedicated a new state of the art public aquatic center, replacing a public pool that had served the citizens of Keokuk for almost 55 years.
- In FY 2008-2009, Keokuk completed a Main Street project that had transpired over 7 years, involving streets, sidewalk, curb and period lighting reconstruction on Main Street/Highway 218-36.
- In FY 2008-09 Keokuk continued to reconstruct city residential streets involved in a comprehensive \$13,000,000 ten year project.
- In FY 2008-09 Keokuk embarked on the creation of a city webpage, which will be completed in FY 2009-2010.

- In FY 2008-2009 Keokuk replaced over 60% of the public parks play equipment.
- In FY 2008-2009 Keokuk continued to work with promising industrial investors.
- The City continued a demolition program involving residential houses unsafe to inhabit.
- In FY 2008-2009 Keokuk commissioned and received a comprehensive rivers cape plan to invigorate and beautify Keokuk's river front.
- In FY 2008-2009 Keokuk received federal grant money to place computers in all police vehicles.
- During the year just ended, bids were taken on Phase I of the combined sanitary/storm sewer project with construction to begin in the fall of 2009. The construction project estimated cost is \$3.4 million.
- The City sewer department also purchased a new vacuum truck which was placed in service during the year.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the accounting principals generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include solid waste, bridge and the sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, Urban Renewal Tax Increment and Employee Benefit, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Non-major governmental funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for the sewer, bridge and solid waste funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The Internal Service Fund utilized by the City accounts for retirees, Keokuk Municipal Water Works and Low Rent Housing group health insurance.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$6.03 million to \$5.29 million. Our analysis below focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities<br>(Expressed in thousands) |    |               | 2009 | 2008           |
|---|----|---------------|------|----------------|
| Receipts:   |    |               |      |                |
| Program receipts:   |    |               |      |                |
| Charges for services  | \$ | 371           | \$   | 292            |
| Operating grants, contributions and restricted interest                                 |    | 4,022         |      | 1,437          |
| Capital grants, contributions and restricted interest                                   |    | 897           |      | 1,049          |
| General receipts:   |    |               |      |                |
| Property tax  |    | 2,979         |      | 2,955          |
| Local option sales tax  |    | 1,220         |      | 1,108          |
| Tax increment financing   |    | 1,064         |      | 1,036          |
| Debt service  |    | 421           |      | 428            |
| Utility excise tax  |    | 775           |      | 731            |
| Riverboat gaming tax  |    | 394           |      | 405            |
| Hotel/Motel tax   |    | 237           |      | 243            |
| Unrestricted interest on investments  |    | 264           |      | 419            |
| Bond proceeds   |    | 6,329         |      | -              |
| Other general receipts  |    | <u>200</u>    |      | <u>271</u>     |
| Total receipts  |    | <u>19,173</u> |      | <u>10,374</u>  |
| Disbursements:  |    |               |      |                |
| Public safety   |    | 3,982         |      | 4,061          |
| Public works  |    | 3,830         |      | 1,419          |
| Culture and recreation  |    | 1,174         |      | 1,061          |
| Community and economic development  |    | 1,486         |      | 370            |
| General government  |    | 524           |      | 585            |
| Debt service  |    | 4,536         |      | 1,524          |
| Capital projects  |    | <u>4,557</u>  |      | <u>2,438</u>   |
| Total disbursements   |    | <u>20,089</u> |      | <u>11,458</u>  |
| Change in cash basis net assets before transfers  |    | <u>(916)</u>  |      | <u>(1,084)</u> |
| Transfers, net  |    | <u>175</u>    |      | <u>(39)</u>    |
| Change in cash basis net assets   |    | (741)         |      | (1,123)        |
| Cash basis net assets beginning of year   |    | <u>6,033</u>  |      | <u>7,156</u>   |
| Cash basis net assets end of year   | \$ | <u>5,292</u>  | \$   | <u>6,033</u>   |

The City's total receipts for governmental activities increased 85%, or approximately \$8,779,000, from fiscal 2008 to fiscal 2009. The City received bond proceeds of \$6,329,000, an operating grant for Roquette for \$1,000,000 and operating grants from FEMA for flood damage of \$1,475,000. The total cost of all programs and services increased by approximately \$8,632,000 or 75% with no new programs added this year. This increase was primarily due to the operating grant for Roquette for \$1,000,000, debt repayment of \$3,000,000, flood repair of \$2,175,000 and the new aquatic center of \$2,472,000.

The cost of all governmental activities this year was \$20.09 million compared to \$11.45 million last year. However, as shown in the statement of activities and net assets on page 11, the amount that our taxpayers

ultimately financed for these activities through City taxes was \$14.80 million because some of the cost was paid by those directly benefited from the programs (\$371,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,919,000). The City paid for the remaining public benefit portion of governmental activities with approximately \$14,800,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

| Change in Cash Basis of Net Assets Business Type Activities<br>(Expressed in thousands) |                 |                 |
|---|-----------------|-----------------|
|   | 2009            | 2008            |
| Receipts:   |                 |                 |
| Program receipts:   |                 |                 |
| Sewer charges   | \$ 2,411        | \$ 2,208        |
| Bridge charges  | 146             | 94              |
| Solid waste charges   | 697             | 561             |
| General receipts:   |                 |                 |
| Bond proceeds   | 527             | 1,010           |
| Other miscellaneous receipts  | <u>214</u>      | <u>934</u>      |
| Total receipts  | <u>3,995</u>    | <u>4,807</u>    |
| Disbursements:  |                 |                 |
| Sewer   | 2,882           | 4,034           |
| Bridge  | 505             | 1,963           |
| Solid waste   | <u>952</u>      | <u>1,057</u>    |
| Total disbursements   | <u>4,339</u>    | <u>7,054</u>    |
| Change in cash basis net assets before transfers  | (344)           | (2,247)         |
| Transfers, net  | <u>(175)</u>    | <u>39</u>       |
| Change in cash basis net assets   | (519)           | (2,208)         |
| Cash basis net assets beginning of year   | <u>5,088</u>    | <u>7,296</u>    |
| Cash basis net assets end of year   | <u>\$ 4,569</u> | <u>\$ 5,088</u> |

Total business type activities receipts for the fiscal year were \$4.0 million compared to \$4.8 million last year. This decrease was due primarily to the receipt of loan proceeds and bridge insurance proceeds received in 2008. Total disbursements for the fiscal year decreased by approximately 38% to a total of \$4.34 million due to the decrease of capital projects that were completed in 2008 for the bridge of \$1,500,000 and sewer of \$930,000.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$193,000, a decrease of \$27,000 from the prior year.
- The Road Use Tax Fund (RUTF) cash balance decreased by \$16,000 to \$223,000 during the fiscal year.
- The Local Option Sales Tax cash balance decreased by \$324,000 to \$1,731,000 during the fiscal year. This occurred due to spending the reserved funds for capital projects in the current year.

- The Capital Projects Fund decreased \$396,000 to \$785,000 due to the expenditure of bond proceeds for capital projects, primarily street projects.
- The Urban Renewal TIF Fund increased \$745,000 to \$892,000 due to reserving funds for economic development projects in future years.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Sewer Fund cash balance decreased by \$167,000 to \$835,000 due to the operating transfer to the general fund of \$250,000.
- The Bridge Fund cash balance decreased by \$175,000 to \$3,589,000.
- The Solid Waste Fund cash balance decreased by \$247,000 to \$111,000 due to the spending of funds from the revenue bond issued in 2008.

#### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget. The amendment was approved on May 21, 2009 and resulted in a decrease in revenues of \$8,092,573 and a decrease in operating disbursements of \$4,596,763. Decreases in revenues included licenses & permits, use of money and property and miscellaneous and decreases in expenditures included general government, debt service, capital projects and business type activities.

The City exceeded the amounts budgeted in the culture and recreation and debt service functions for the year ended June 30, 2009.

#### **DEBT ADMINISTRATION**

At year-end, the City had approximately \$15,989,000 in bonds and other long-term debt compared to approximately \$12,947,000 last year as shown below.

| Outstanding debt at year-end<br>(Expressed in thousands) |                  |                  |
|--|------------------|------------------|
|  | 2009             | 2008             |
| General obligation bonds                                 | \$ 10,685        | \$ 11,515        |
| Revenue bonds  | 1,209            | 1,002            |
| Capital loan notes                                       | 640              | 430              |
| Urban renewal TIF's                                      | <u>3,455</u>     | <u>-</u>         |
| Total  | <u>\$ 15,989</u> | <u>\$ 12,947</u> |

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$14,780,000 is below the City's \$22.9 million legal debt limit. The City's general obligation bond rating continues to be A3, a rating that has been assigned by Moody's Investor Services.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements. It is important to note that the 1996 General Obligation Bonds are paid from Tax Increment Financing revenue to pay the required debt service for floodwall improvements by the City. All revenues derived from the Twin Rivers TIF district are directed toward debt service payments on the 2002 Capital Loan Notes. All revenues derived from Keokuk Senior Housing TIF are directed toward debt service payments on the 2005 General Obligation Bonds and bank debt for the industrial development project is being serviced from TIF revenues from that project.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The continued poor economy, high unemployment regionally, the State of Iowa's fiscal woes, the additional rollback and the decrease in the Utility Excise Tax has caused the City to continue to experience cuts in revenues resulting in decreased operating revenues for the City especially in general fund departmental operations. However, with the establishment of a state sanctioned Port Authority, to date, the only one in the state, has come renewed interest in industrial and commercial development. There is still concern regarding future property tax revenues resulting from State legislation which could overhaul the property tax system. Any change would not come into play immediately but could impact the City in future years.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or to request additional information, contact the Finance Manager's office at 415 Blondeau Street, Keokuk, Iowa 52632 or telephone at 319-524-2050.

## **BASIC FINANCIAL STATEMENTS**

**City of Keokuk**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2009**

|  |                      | Program Receipts                    |  |                                 | Net (Disbursements) Receipts |                             |                     |
|--|----------------------|-------------------------------------|--|---------------------------------|------------------------------|-----------------------------|---------------------|
|  |                      | Charges for<br>Service and<br>Sales | Operating Grants<br>Contributions,<br>and Restricted<br>Interest | Capital Grants<br>Contributions | Governmental<br>Activities   | Business Type<br>Activities | Total               |
| Functions / Programs:  | Disbursements        |                                     |  |                                 |                              |                             |                     |
| Governmental activities:                                     |                      |                                     |  |                                 |                              |                             |                     |
| Public safety  | \$ 3,982,577         | \$ 68,930                           | \$ 209,788   | \$ -                            | \$ (3,703,859)               | \$ -                        | \$ (3,703,859)      |
| Public works   | 3,830,267            | 8,713                               | 2,502,490  | -                               | (1,319,064)                  | -                           | (1,319,064)         |
| Culture and recreation                                       | 1,173,850            | 124,751                             | 124,366  | -                               | (924,733)                    | -                           | (924,733)           |
| Community and economic development                           | 1,485,697            | -                                   | 1,153,173  | -                               | (332,524)                    | -                           | (332,524)           |
| General government   | 523,874              | 168,828                             | 30,672   | -                               | (324,374)                    | -                           | (324,374)           |
| Debt service   | 4,536,373            | -                                   | -  | -                               | (4,536,373)                  | -                           | (4,536,373)         |
| Capital projects   | 4,556,521            | -                                   | 1,613  | 896,880                         | (3,658,028)                  | -                           | (3,658,028)         |
| Total government activities                                  | <u>20,089,159</u>    | <u>371,222</u>                      | <u>4,022,102</u>   | <u>896,880</u>                  | <u>(14,798,955)</u>          | <u>-</u>                    | <u>(14,798,955)</u> |
| Business type activities:                                    |                      |                                     |  |                                 |                              |                             |                     |
| Sewer  | 2,882,238            | 2,410,574                           | 2,805  | -                               | -                            | (468,859)                   | (468,859)           |
| Bridge   | 505,390              | 146,273                             | 6,975  | -                               | -                            | (352,142)                   | (352,142)           |
| Solid waste  | 951,602              | 696,860                             | 67,462   | -                               | -                            | (187,280)                   | (187,280)           |
| Total business type activities                               | <u>4,339,230</u>     | <u>3,253,707</u>                    | <u>77,242</u>  | <u>-</u>                        | <u>-</u>                     | <u>(1,008,281)</u>          | <u>(1,008,281)</u>  |
| Total  | <u>\$ 24,428,389</u> | <u>\$ 3,624,929</u>                 | <u>\$ 4,099,344</u>  | <u>\$ 896,880</u>               | <u>(14,798,955)</u>          | <u>(1,008,281)</u>          | <u>(15,807,236)</u> |
| General receipts:  |                      |                                     |  |                                 |                              |                             |                     |
| Property tax levied for:                                     |                      |                                     |  |                                 |                              |                             |                     |
| General purposes   |                      |                                     |  |                                 | 2,979,224                    | -                           | 2,979,224           |
| Debt service   |                      |                                     |  |                                 | 421,789                      | -                           | 421,789             |
| Tax increment financing                                      |                      |                                     |  |                                 | 1,064,215                    | -                           | 1,064,215           |
| Local option sales tax                                       |                      |                                     |  |                                 | 1,219,910                    | -                           | 1,219,910           |
| Utility excise tax   |                      |                                     |  |                                 | 775,276                      | -                           | 775,276             |
| Riverboat gaming tax   |                      |                                     |  |                                 | 393,533                      | -                           | 393,533             |
| Hotel/Motel tax  |                      |                                     |  |                                 | 236,709                      | -                           | 236,709             |
| Grants and contributions not restricted to specific purposes |                      |                                     |  |                                 | 200,000                      | -                           | 200,000             |
| Unrestricted investment earnings                             |                      |                                     |  |                                 | 263,588                      | 133,664                     | 397,252             |
| Miscellaneous  |                      |                                     |  |                                 | -                            | 3,330                       | 3,330               |
| Bond proceeds  |                      |                                     |  |                                 | 6,328,564                    | 527,222                     | 6,855,786           |
| Transfers  |                      |                                     |  |                                 | 175,000                      | (175,000)                   | -                   |
| Total general receipts and transfers                         |                      |                                     |  |                                 | <u>14,057,808</u>            | <u>489,216</u>              | <u>14,547,024</u>   |
| Change in cash basis net assets                              |                      |                                     |  |                                 | (741,147)                    | (519,065)                   | (1,260,212)         |
| Cash basis net assets beginning of year                      |                      |                                     |  |                                 | <u>6,032,744</u>             | <u>5,087,914</u>            | <u>11,120,658</u>   |
| Cash basis net assets end of year                            |                      |                                     |  |                                 | <u>\$ 5,291,597</u>          | <u>\$ 4,568,849</u>         | <u>\$ 9,860,446</u> |
| Cash Basis Net Assets:                                       |                      |                                     |  |                                 |                              |                             |                     |
| Restricted:  |                      |                                     |  |                                 |                              |                             |                     |
| Streets  |                      |                                     |  |                                 | \$ 223,283                   | \$ -                        | \$ 223,283          |
| Sales tax  |                      |                                     |  |                                 | 1,730,698                    | -                           | 1,730,698           |
| Employee benefits  |                      |                                     |  |                                 | 739,055                      | -                           | 739,055             |
| Economic development   |                      |                                     |  |                                 | 374,077                      | -                           | 374,077             |
| Urban Renewal TIF  |                      |                                     |  |                                 | 582,687                      | -                           | 582,687             |
| Debt service   |                      |                                     |  |                                 | 313,236                      | 76,500                      | 389,736             |
| Other purposes   |                      |                                     |  |                                 | 1,168,725                    | -                           | 1,168,725           |
| Unrestricted   |                      |                                     |  |                                 | 159,836                      | 4,492,349                   | 4,652,185           |
| Total cash basis net assets                                  |                      |                                     |  |                                 | <u>\$ 5,291,597</u>          | <u>\$ 4,568,849</u>         | <u>\$ 9,860,446</u> |

See notes to financial statements.

**City of Keokuk**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2009**

|  | Special Revenue   |                   |                     |                    |                      |                   |                  |                   | Other Nonmajor    |                     |
|--|-------------------|-------------------|---------------------|--------------------|----------------------|-------------------|------------------|-------------------|-------------------|---------------------|
|  | General           | Road Use          | Sales Tax           | Employee Benefits  | Economic Development | Urban Renewal TIF | Debt Service     | Capital Projects  | Governmental      | Total               |
| <b>Receipts:</b>                                   |                   |                   |                     |                    |                      |                   |                  |                   |                   |                     |
| Property tax                                       | \$ 1,937,799      | \$ -              | \$ -                | \$ 980,917         | \$ -                 | \$ -              | \$ 421,789       | \$ -              | \$ 60,508         | \$ 3,401,013        |
| Tax increment financing collections                | -                 | -                 | -                   | -                  | -                    | 1,064,215         | -                | -                 | -                 | 1,064,215           |
| Other taxes  | 1,077,454         | -                 | 1,219,910           | 226,975            | -                    | -                 | 86,997           | -                 | 14,092            | 2,625,428           |
| Use of money and property                          | 165,280           | -                 | 15,075              | -                  | -                    | -                 | 9,755            | 73,477            | -                 | 263,587             |
| Licenses and permits                               | 156,705           | -                 | -                   | -                  | -                    | -                 | -                | -                 | -                 | 156,705             |
| Intergovernmental                                  | 1,894,798         | 948,096           | -                   | -                  | 1,081,295            | -                 | -                | 896,880           | -                 | 4,821,069           |
| Charges for services                               | 221,190           | -                 | -                   | -                  | -                    | -                 | -                | -                 | -                 | 221,190             |
| Miscellaneous                                      | 211,390           | -                 | -                   | 769                | 71,109               | -                 | -                | 1,613             | 6,360             | 291,241             |
| Total receipts                                     | <u>5,664,616</u>  | <u>948,096</u>    | <u>1,234,985</u>    | <u>1,208,661</u>   | <u>1,152,404</u>     | <u>1,064,215</u>  | <u>518,541</u>   | <u>971,970</u>    | <u>80,960</u>     | <u>12,844,448</u>   |
| <b>Disbursements:</b>                              |                   |                   |                     |                    |                      |                   |                  |                   |                   |                     |
| Governmental activities:                           |                   |                   |                     |                    |                      |                   |                  |                   |                   |                     |
| Public safety                                      | 3,971,172         | -                 | -                   | -                  | -                    | -                 | -                | -                 | -                 | 3,971,172           |
| Public works                                       | 2,863,869         | 964,114           | -                   | -                  | -                    | -                 | -                | -                 | -                 | 3,827,983           |
| Culture and recreation                             | 1,171,850         | -                 | -                   | -                  | -                    | -                 | -                | -                 | -                 | 1,171,850           |
| Community and economic development                 | 125,817           | -                 | -                   | -                  | 1,253,857            | 105,675           | -                | -                 | -                 | 1,485,349           |
| General government                                 | 523,056           | -                 | -                   | -                  | -                    | -                 | -                | -                 | -                 | 523,056             |
| Debt service                                       | -                 | -                 | -                   | -                  | -                    | 147,351           | 4,389,022        | -                 | -                 | 4,536,373           |
| Capital projects                                   | -                 | -                 | -                   | -                  | -                    | -                 | -                | 4,556,521         | -                 | 4,556,521           |
| Total disbursements                                | <u>8,655,764</u>  | <u>964,114</u>    | <u>-</u>            | <u>-</u>           | <u>1,253,857</u>     | <u>253,026</u>    | <u>4,389,022</u> | <u>4,556,521</u>  | <u>-</u>          | <u>20,072,304</u>   |
| Excess (deficiency) of receipts over disbursements | (2,991,148)       | (16,018)          | 1,234,985           | 1,208,661          | (101,453)            | 811,189           | (3,870,481)      | (3,584,551)       | 80,960            | (7,227,856)         |
| <b>Other financing sources (uses):</b>             |                   |                   |                     |                    |                      |                   |                  |                   |                   |                     |
| Bond proceeds                                      | -                 | -                 | -                   | -                  | -                    | 308,900           | 3,000,000        | 3,019,664         | -                 | 6,328,564           |
| Operating transfers in (out)                       | <u>2,963,898</u>  | <u>-</u>          | <u>(1,559,358)</u>  | <u>(1,524,273)</u> | <u>96,301</u>        | <u>(374,830)</u>  | <u>484,830</u>   | <u>169,232</u>    | <u>(80,800)</u>   | <u>175,000</u>      |
| Net change in cash balances                        | (27,250)          | (16,018)          | (324,373)           | (315,612)          | (5,152)              | 745,259           | (385,651)        | (395,655)         | 160               | (724,292)           |
| Cash balances beginning of year                    | <u>220,347</u>    | <u>239,301</u>    | <u>2,055,071</u>    | <u>1,054,667</u>   | <u>379,229</u>       | <u>146,328</u>    | <u>389,987</u>   | <u>1,180,328</u>  | <u>383,892</u>    | <u>6,049,150</u>    |
| Cash balances end of year                          | <u>\$ 193,097</u> | <u>\$ 223,283</u> | <u>\$ 1,730,698</u> | <u>\$ 739,055</u>  | <u>\$ 374,077</u>    | <u>\$ 891,587</u> | <u>\$ 4,336</u>  | <u>\$ 784,673</u> | <u>\$ 384,052</u> | <u>\$ 5,324,858</u> |
| <b>Cash Basis Fund Balances</b>                    |                   |                   |                     |                    |                      |                   |                  |                   |                   |                     |
| Reserved for debt service                          | \$ -              | \$ -              | \$ -                | \$ -               | \$ -                 | \$ 308,900        | \$ 4,336         | \$ -              | \$ -              | \$ 313,236          |
| Unreserved:  |                   |                   |                     |                    |                      |                   |                  |                   |                   |                     |
| General fund                                       | 193,097           | -                 | -                   | -                  | -                    | -                 | -                | -                 | -                 | 193,097             |
| Special revenue fund                               | -                 | 223,283           | 1,730,698           | 739,055            | 374,077              | 582,687           | -                | -                 | -                 | 3,649,800           |
| Capital projects fund                              | -                 | -                 | -                   | -                  | -                    | -                 | -                | 784,673           | -                 | 784,673             |
| Permanent fund                                     | -                 | -                 | -                   | -                  | -                    | -                 | -                | -                 | 384,052           | 384,052             |
| <b>Total cash basis fund balances</b>              | <u>\$ 193,097</u> | <u>\$ 223,283</u> | <u>\$ 1,730,698</u> | <u>\$ 739,055</u>  | <u>\$ 374,077</u>    | <u>\$ 891,587</u> | <u>\$ 4,336</u>  | <u>\$ 784,673</u> | <u>\$ 384,052</u> | <u>\$ 5,324,858</u> |

See notes to financial statements.

**City of Keokuk**  
**Reconciliation of the Statement of Cash**  
**Receipts, Disbursements and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2009**

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**Total governmental funds cash balances (page 12)** \$ 5,324,858

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(33,261)

**Cash basis net assets of governmental activities (page 11)** \$ 5,291,597

**Net change in cash balances (page 12)** \$ (724,292)

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(16,855)

**Change in cash balance of governmental activities (page 11)** \$ (741,147)

See notes to financial statements.



**City of Keokuk**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2009**

|   | <u>Enterprise Funds</u> |                     |                    |                     | <u>Internal<br/>Service Fund<br/>Employee<br/>Health</u> |
|---|-------------------------|---------------------|--------------------|---------------------|--|
|   | <u>Sewer</u>            | <u>Bridge</u>       | <u>Solid Waste</u> | <u>Total</u>        |  |
| Operating receipts:   |                         |                     |                    |                     |  |
| Charges for service   | \$ <u>2,410,574</u>     | \$ <u>146,273</u>   | \$ <u>696,860</u>  | \$ <u>3,253,707</u> | \$ <u>347,346</u>  |
| Total operating receipts  | <u>2,410,574</u>        | <u>146,273</u>      | <u>696,860</u>     | <u>3,253,707</u>    | <u>347,346</u>   |
| Operating disbursements:  |                         |                     |                    |                     |  |
| Business type activities  | <u>1,821,048</u>        | <u>450,612</u>      | <u>613,601</u>     | <u>2,885,261</u>    | <u>-</u>   |
| Total operating disbursements   | <u>1,821,048</u>        | <u>450,612</u>      | <u>613,601</u>     | <u>2,885,261</u>    | <u>-</u>   |
| Excess (deficiency) of operating receipts over<br>operating disbursements | <u>589,526</u>          | <u>(304,339)</u>    | <u>83,259</u>      | <u>368,446</u>      | <u>347,346</u>   |
| Non-operating receipts (disbursements):                                   |                         |                     |                    |                     |  |
| Interest on investments   | 18,041                  | 115,623             | -                  | 133,664             | -  |
| Licenses and permits  | 3,330                   | -                   | -                  | 3,330               | -  |
| Miscellaneous   | 2,805                   | 67,462              | 6,975              | 77,242              | -  |
| Bond proceeds   | 527,222                 | -                   | -                  | 527,222             | -  |
| Non-program   | -                       | -                   | -                  | -                   | (369,182)  |
| Capital projects  | (1,047,960)             | (53,698)            | (253,826)          | (1,355,484)         | -  |
| Debt service  | <u>(10,065)</u>         | <u>-</u>            | <u>(83,439)</u>    | <u>(93,504)</u>     | <u>-</u>   |
| Net non-operating receipts<br>(disbursements)                             | <u>(506,627)</u>        | <u>129,387</u>      | <u>(330,290)</u>   | <u>(707,530)</u>    | <u>(369,182)</u>   |
| Operating transfers in (out)  | <u>(250,000)</u>        | <u>-</u>            | <u>-</u>           | <u>(250,000)</u>    | <u>75,000</u>  |
| Net change in cash balances   | (167,101)               | (174,952)           | (247,031)          | (589,084)           | 53,164   |
| Cash balances beginning of year   | <u>1,002,006</u>        | <u>3,764,211</u>    | <u>358,440</u>     | <u>5,124,657</u>    | <u>(53,149)</u>  |
| Cash balances end of year   | \$ <u>834,905</u>       | \$ <u>3,589,259</u> | \$ <u>111,409</u>  | \$ <u>4,535,573</u> | \$ <u>15</u>   |
| <b>Cash Basis Fund Balances</b>   |                         |                     |                    |                     |  |
| Reserved for debt service   | \$ -                    | \$ -                | \$ 76,500          | \$ 76,500           | \$ -   |
| Unreserved  | <u>834,905</u>          | <u>3,589,259</u>    | <u>34,909</u>      | <u>4,459,073</u>    | <u>15</u>  |
| <b>Total cash basis fund balances</b>                                     | \$ <u>834,905</u>       | \$ <u>3,589,259</u> | \$ <u>111,409</u>  | \$ <u>4,535,573</u> | \$ <u>15</u>   |

See notes to financial statements.

**City of Keokuk**  
**Reconciliation of the Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2009**

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**Total enterprise funds cash balances (page 14)** \$ 4,535,573

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

33,276

**Cash basis net assets of business type activities (page 11)** \$ 4,568,849

**Net change in cash balances (page 14)** \$ (589,084)

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

70,019

**Change in cash balance of business type activities (page 11)** \$ (519,065)

See notes to financial statements.

**City of Keokuk**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The City of Keokuk (City) is a political subdivision of the State of Iowa located in Lee County. It was incorporated in 1847 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides solid waste removal and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statement present the City of Keokuk ( the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

Keokuk Municipal Water Works (Water Works) is a component unit of the City of Keokuk. The Water Works and the City of Keokuk are considered separate legal entities. The Water Works meets the component unit definition because the City Council appoints the Board of Trustees of the Water Works. However, since Water Works operates under the accrual method of accounting and the City of Keokuk operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of the Water Works are available at the Water Works office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Keokuk area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk Economic Development Corporation and Great River Regional Waste Authority.

**City of Keokuk**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund (TIF) is used to account for the revenues from the tax authorized by referendum and used for property tax relief, infrastructure, parks and recreation services.

The Employee Benefits Fund is used to account for the employee benefits paid.

The Economic Development Fund is used to account for economic development activity.

**City of Keokuk**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

The Bridge Fund accounts for the operation and maintenance of the City's bridge.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of employee benefits goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

**Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

**Subsequent Events**

The City performed an evaluation of subsequent events through December 1, 2009. There have been no subsequent events that occurred that would require disclosure or recognition in the financial statements as of June 30, 2009.

**City of Keokuk**  
**Notes to Financial Statements**

**Note 2. Cash and Pooled Investments**

The City's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; interest bearing accounts in the Iowa Public Agency Investment Trust, a jointly sponsored program for the members of the Iowa League of Cities, The Iowa State Association of Counties and the Iowa Association of Municipal Utilities.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,000,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

**Note 3. Bonds and Notes Payable**

A summary of the City's June 30, 2009 general obligation, revenue bond and urban renewal indebtedness is as follows:

| Year Ended<br>June 30, | General Obligation   |                     | Revenue Bonds       |                   | Urban Renewal       |                     | Total                |                     |
|------------------------|----------------------|---------------------|---------------------|-------------------|---------------------|---------------------|----------------------|---------------------|
|                        | Principal            | Interest            | Principal           | Interest          | Principal           | Interest            | Principal            | Interest            |
| 2010                   | \$ 869,322           | \$ 502,879          | \$ 60,000           | \$ 28,171         | \$ 110,000          | \$ 198,406          | \$ 1,039,322         | \$ 729,456          |
| 2011                   | 916,228              | 465,550             | 554,141             | 25,807            | 115,000             | 193,456             | 1,585,369            | 684,813             |
| 2012                   | 948,567              | 426,243             | 65,000              | 23,443            | 120,000             | 187,994             | 1,133,567            | 637,680             |
| 2013                   | 980,883              | 385,259             | 65,000              | 20,882            | 125,000             | 181,844             | 1,170,883            | 587,985             |
| 2014                   | 940,000              | 345,225             | 70,000              | 18,321            | 130,000             | 175,281             | 1,140,000            | 538,827             |
| 2015-2019              | 3,050,120            | 1,183,439           | 395,000             | 47,674            | 770,000             | 770,006             | 4,215,120            | 2,001,119           |
| 2020-2024              | 2,045,000            | 670,099             | -                   | -                 | 790,000             | 578,100             | 2,835,000            | 1,248,199           |
| 2025-2029              | 1,575,000            | 220,333             | -                   | -                 | 1,295,000           | 77,700              | 2,870,000            | 298,033             |
|                        | <u>\$ 11,325,120</u> | <u>\$ 4,199,027</u> | <u>\$ 1,209,141</u> | <u>\$ 164,298</u> | <u>\$ 3,455,000</u> | <u>\$ 2,362,787</u> | <u>\$ 15,989,261</u> | <u>\$ 6,726,112</u> |

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

**City of Keokuk**  
**Notes to Financial Statements**

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**Note 3. Bonds and Notes Payable (continued)**

- (b) A Solid Waste Enterprise Revenue Debt Service Reserve Fund of \$76,500 shall be maintained and used solely for the purpose of paying principal at maturity of or interest on the Note and Parity Obligations for the payment of which insufficient money shall be available in the Sinking fund.
- (c) Solid Waste Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 130% of the principal and interest requirements of the fiscal year.
- (d) Sufficient monthly transfers shall be made to separate solid waste revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

The City had an outstanding contract between the Iowa Department of Economic Development (IDED) and a city business for a Community Economic Betterment Account (CEBA) loan at June 30, 2009. Although the note bears the name of the City, the City has no obligation for such debt beyond the resources provided by the business entity upon whose behalf it is issued. Accordingly, the loans are not reported as a liability in the accompanying financial statements.

**Note 4. Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, was \$164,617, \$146,840, and \$144,170, respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation (18.75% as of July 1, 2008). Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2009, 2008, and 2007 was \$351,148, \$453,445, and \$464,345, respectively, equal to the required contributions for each year.

**City of Keokuk**  
**Notes to Financial Statements**

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**Note 5. Other Postemployment Benefits (OPEB)**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical, prescription drug, dental, and vision benefits for retirees and their spouses. There are 108 active and 10 retired members in the plan. Participants must be age 55 or older at retirement

The medical, prescription drug, dental and vision coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$367 for single coverage, \$786 for employee/spouse coverage, \$736 for employee/child coverage and \$1,106 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$1,105,976 and plan members eligible for benefits contributed \$131,391 to the plan.

**Note 6. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or normal retirement. Upon retirement each employee is entitled to 100% of his accumulated sick leave up to a maximum of 71 days or 568 hours. City management employees may accumulate a maximum of 90 days or 720 hours. The Fire department employees are entitled to 900 hours of accumulated sick leave due to their longer average work week. Fire and police administration employees are entitled to 720 hours of accumulated sick leave.

Accumulated sick leave and vacation are not recognized as expenditures by the City until used or paid. The City's maximum liability for unrecognized accrued employee benefits as of June 30, 2009, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u>       |
|------------------------|---------------------|
| Vacation               | \$ 380,165          |
| Sick leave             | <u>999,586</u>      |
|                        | <u>\$ 1,379,751</u> |

This liability has been computed based on rates of pay as of June 30, 2009.

**Note 7. Related Party Transactions**

The Keokuk Municipal Water Works pays the City on an annual basis. This amounted to \$200,000 for the year ended June 30, 2009 and is included as revenue in the general fund.



**City of Keokuk**  
**Notes to Financial Statements**

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**Note 8. Industrial Development Revenue Bonds**

The City has issued \$8,745,000 of industrial revenue bonds of which \$5,830,000 is outstanding at June 30, 2009, for the purposes of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment.

**Note 9. Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 10. Operating Leases - Lessor**

The City leases land to Crown Castle in Tolmie Park. The lease has a term of five years expiring December 2010, with the option to renew for three additional five-year periods. Rental income for the year ended June 30, 2009 totaled \$13,800. Future minimum lease payments until the end of the lease term are:

|      |           |
|------|-----------|
| 2010 | \$ 13,800 |
| 2011 | 5,750     |

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2009 totaled \$21,670.

**Note 11. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u>       |
|--------------------|----------------------|---------------------|
| General            | Special revenue      | \$ 2,963,898        |
| Debt service       | Special revenue      | 484,830             |
| General            | Enterprise funds     | 250,000             |
| Enterprise funds   | Special revenue      | 75,000              |
| Capital projects   | Special revenue      | <u>169,232</u>      |
|                    |                      | <u>\$ 3,942,960</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**City of Keokuk**  
**Notes to Financial Statements**

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**Note 12. Revolving Loan Fund**

The City has entered into an agreement with Southeast Iowa Regional Planning Commission (SEIRPC) to establish a revolving loan fund for commercial business growth and to assist in new business development. The City received a matching grant of \$99,000 from the United States Department of Agriculture - Rural Business Enterprise Grant. The City transferred \$100,000 in fiscal year 2007 to SEIRPC who administers and manages the revolving loan fund. At June 30, 2009, \$84,784 was outstanding on these loans to businesses.

**Note 13. Commitments and Contingency**

The City has committed to the following significant purchases as of June 30, 2009:

|   |                     |
|---|---------------------|
| Five street projects                              | \$ 1,862,193        |
| Aquatic center                                    | 266,418             |
| Airport master plan update                        | 55,230              |
| Airport fencing and taxi lane                     | 3,516               |
| Sewer - digester improvement and overflow project | <u>4,723,005</u>    |
| Total   | <u>\$ 6,910,362</u> |

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Keokuk**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2009**

|   | Governmental<br>Fund Types<br><u>Actual</u> | Proprietary<br>Fund Type<br><u>Actual</u> | Less Funds<br>Not Required<br>to be<br><u>Budgeted</u> | <u>Net</u>          | Budget<br><u>Original</u> | Budget<br><u>Final</u> | Final to<br>Actual<br>Variance<br>Favorable<br>(Unfavorable) |
|---|---|---|--|---------------------|---------------------------|------------------------|--|
| Receipts:   |   |   |  |                     |                           |                        |  |
| Property tax  | \$ 3,401,013                                | \$ -                                      | \$ -   | \$ 3,401,013        | \$ 3,405,058              | \$ 3,719,812           | \$ (318,799)   |
| Tax increment financing collections   | 1,064,215                                   | -   | -  | 1,064,215           | 1,136,584                 | 1,180,000              | (115,785)  |
| Other taxes   | 2,625,428                                   | -   | -  | 2,625,428           | 2,434,901                 | 2,584,628              | 40,800   |
| Use of money and property   | 263,587                                     | 133,664                                   | -  | 397,251             | 800,135                   | 347,758                | 49,493   |
| Licenses and permits  | 156,705                                     | -   | -  | 156,705             | 712,500                   | 166,564                | (9,859)  |
| Intergovernmental   | 4,821,069                                   | -   | -  | 4,821,069           | 2,117,100                 | 5,359,294              | (538,225)  |
| Charges for services  | 221,190                                     | 3,601,053                                 | 347,346  | 3,474,897           | 3,731,060                 | 4,018,539              | (543,642)  |
| Miscellaneous   | 291,241                                     | 80,572                                    | -  | 371,813             | 8,018,109                 | 9,451                  | 362,362  |
| Total receipts  | <u>12,844,448</u>                           | <u>3,815,289</u>                          | <u>347,346</u>   | <u>16,312,391</u>   | <u>22,355,447</u>         | <u>17,386,046</u>      | <u>(1,073,655)</u>   |
| Disbursements:  |   |   |  |                     |                           |                        |  |
| Public safety   | 3,971,172                                   | -   | -  | 3,971,172           | 3,930,738                 | 4,026,393              | 55,221   |
| Public works  | 3,827,983                                   | -   | -  | 3,827,983           | 1,624,145                 | 4,040,378              | 212,395  |
| Culture and recreation  | 1,171,850                                   | -   | -  | 1,171,850           | 1,159,052                 | 1,151,573              | (20,277)   |
| Community and economic development  | 1,485,349                                   | -   | -  | 1,485,349           | 1,228,878                 | 1,644,472              | 159,123  |
| General government  | 523,056                                     | -   | -  | 523,056             | 945,548                   | 530,738                | 7,682  |
| Debt service  | 4,536,373                                   | -   | -  | 4,536,373           | 4,665,428                 | 4,389,122              | (147,251)  |
| Capital projects  | 4,556,521                                   | -   | -  | 4,556,521           | 7,972,000                 | 5,317,303              | 760,782  |
| Business-type   | -   | 4,334,249                                 | -  | 4,334,249           | 9,027,557                 | 4,856,604              | 522,355  |
| Non-program   | -   | 369,182                                   | 369,182  | -                   | -                         | -                      | -  |
| Total disbursements   | <u>20,072,304</u>                           | <u>4,703,431</u>                          | <u>369,182</u>   | <u>24,406,553</u>   | <u>30,553,346</u>         | <u>25,956,583</u>      | <u>1,550,030</u>   |
| Excess (deficiency) of receipts over disbursements  | (7,227,856)                                 | (888,142)                                 | (21,836)   | (8,094,162)         | (8,197,899)               | (8,570,537)            | 476,375  |
| Other financing sources, net  | <u>6,503,564</u>                            | <u>352,222</u>                            | <u>75,000</u>  | <u>6,780,786</u>    | <u>9,913,000</u>          | <u>6,795,079</u>       | <u>(14,293)</u>  |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (724,292)                                   | (535,920)                                 | 53,164   | (1,313,376)         | 1,715,101                 | (1,775,458)            | 462,082  |
| Cash balances beginning of year   | <u>6,049,150</u>                            | <u>5,071,508</u>                          | <u>(53,149)</u>  | <u>11,173,807</u>   | <u>15,589,061</u>         | <u>11,120,658</u>      | <u>53,149</u>  |
| Cash balances end of year   | <u>\$ 5,324,858</u>                         | <u>\$ 4,535,588</u>                       | <u>\$ 15</u>   | <u>\$ 9,860,431</u> | <u>\$ 17,304,162</u>      | <u>\$ 9,345,200</u>    | <u>\$ 515,231</u>  |

See accompanying independent auditor's report.

**City of Keokuk**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2009**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and permanent funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments decreased budgeted disbursements by \$4,596,763. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

## **OTHER SUPPLEMENTARY INFORMATION**

**City of Keokuk**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2009**

|                                       | <u>Special<br/>Revenue</u>    | <u>Permanent</u>       |                   |
|---------------------------------------|-------------------------------|------------------------|-------------------|
|                                       | <u>Emergency<br/>Tax Levy</u> | <u>Cemetery<br/>PC</u> | <u>Total</u>      |
| Receipts:                             |                               |                        |                   |
| Property tax                          | \$ 60,508                     | \$ -                   | \$ 60,508         |
| Other taxes                           | 14,092                        | -                      | 14,092            |
| Miscellaneous                         | <u>-</u>                      | <u>6,360</u>           | <u>6,360</u>      |
| Total receipts                        | <u>74,600</u>                 | <u>6,360</u>           | <u>80,960</u>     |
| Other financing sources (uses)        |                               |                        |                   |
| Operating transfer out                | <u>(74,600)</u>               | <u>(6,200)</u>         | <u>(80,800)</u>   |
| Total other financing sources (uses)  | <u>(74,600)</u>               | <u>(6,200)</u>         | <u>(80,800)</u>   |
| Net change in cash balances           | -                             | 160                    | 160               |
| Cash balances beginning of year       | <u>-</u>                      | <u>383,892</u>         | <u>383,892</u>    |
| Cash balances end of year             | <u>\$ -</u>                   | <u>\$ 384,052</u>      | <u>\$ 384,052</u> |
| <b>Cash Basis Fund Balances</b>       |                               |                        |                   |
| Unreserved:                           |                               |                        |                   |
| Special revenue fund                  | \$ -                          | \$ -                   | \$ -              |
| Permanent fund                        | <u>-</u>                      | <u>384,052</u>         | <u>384,052</u>    |
| <b>Total cash basis fund balances</b> | <u>\$ -</u>                   | <u>\$ 384,052</u>      | <u>\$ 384,052</u> |

See accompanying independent auditor's report.

**City of Keokuk  
Statement of Indebtedness  
Year Ended June 30, 2009**

| <u>Obligation</u>  | <u>Date of<br/>Issuance</u> | <u>Interest Rate</u> | <u>Amount<br/>Originally<br/>Issued</u> | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Issued<br/>During<br/>Year</u> | <u>Redeemed<br/>During<br/>Year</u> | <u>Balance<br/>End of<br/>Year</u> | <u>Interest<br/>Paid</u> | <u>Interest<br/>Due and<br/>Unpaid</u> |
|--|-----------------------------|----------------------|---|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| <b>General obligation bonds:</b>                             |                             |                      |   |  |                                   |                                     |                                    |                          |  |
| Refunding capital notes                                      | 05/01/02                    | 4.00-4.80%           | \$ 4,685,000                            | \$ 2,740,000                             | \$ -                              | \$ 255,000                          | \$ 2,485,000                       | \$ 121,038               | \$ -                                   |
| Refunding capital notes                                      | 11/01/05                    | 3.55-4.00%           | 2,440,000                               | 1,805,000                                | -                                 | 235,000                             | 1,570,000                          | 69,250                   | -                                      |
| Capital loan notes   | 08/01/06                    | 4.20-6.00%           | 3,000,000                               | 2,780,000                                | -                                 | 230,000                             | 2,550,000                          | 126,376                  | -                                      |
| Capital loan notes   | 05/01/07                    | 4.00%                | 3,000,000                               | 3,000,000                                | -                                 | 3,000,000                           | -                                  | 120,000                  | -                                      |
| Capital loan notes   | 05/01/07                    | 4.00-4.25%           | 1,300,000                               | 1,190,000                                | -                                 | 110,000                             | 1,080,000                          | 49,555                   | -                                      |
| Capital loan notes   | 05/01/09                    | 4.25-5.25%           | 3,000,000                               | -  | 3,000,000                         | -                                   | 3,000,000                          | -                        | -                                      |
| Total  |                             |                      |   | <u>11,515,000</u>                        | <u>3,000,000</u>                  | <u>3,830,000</u>                    | <u>10,685,000</u>                  | <u>486,219</u>           | <u>-</u>                               |
| <b>Revenue bonds:</b>  |                             |                      |   |  |                                   |                                     |                                    |                          |  |
| Solid waste capital loan note                                | 04/24/08                    | 3.94%                | 765,000                                 | 765,000                                  | -                                 | 50,000                              | 715,000                            | 33,239                   | -                                      |
| Sewer revenue capital loan note                              | 07/01/07                    | 0.00%                | 670,000                                 | 236,919                                  | 257,222                           | -                                   | 494,141                            | -                        | -                                      |
| Total  |                             |                      |   | <u>1,001,919</u>                         | <u>257,222</u>                    | <u>50,000</u>                       | <u>1,209,141</u>                   | <u>33,239</u>            | <u>-</u>                               |
| <b>Capital loan notes:</b>                                   |                             |                      |   |  |                                   |                                     |                                    |                          |  |
| Capital loan-Industrial development project                  | 11/03/06                    | 4.78%                | 470,120                                 | 420,120                                  | -                                 | 50,000                              | 370,120                            | 20,403                   | -                                      |
| Capital loan note  | 06/13/08                    | 6.00%                | 10,000                                  | 10,000                                   | -                                 | 10,000                              | -                                  | 65                       | -                                      |
| Capital loan note  | 06/15/09                    | 3.50%                | 270,000                                 | -  | 270,000                           | -                                   | 270,000                            | -                        | -                                      |
| Total  |                             |                      |   | <u>430,120</u>                           | <u>270,000</u>                    | <u>60,000</u>                       | <u>640,120</u>                     | <u>20,468</u>            | <u>-</u>                               |
| <b>Urban renewal tax increment revenue capital loan note</b> |                             |                      |   |  |                                   |                                     |                                    |                          |  |
|  | 09/01/08                    | 4.50-6.00%           | 3,455,000                               | -  | 3,455,000                         | -                                   | 3,455,000                          | 147,151                  | -                                      |
| <b>Total of all debt</b>                                     |                             |                      |   | <u>\$ 12,947,039</u>                     | <u>\$ 6,982,222</u>               | <u>\$ 3,940,000</u>                 | <u>\$ 15,989,261</u>               | <u>\$ 687,077</u>        | <u>\$ -</u>                            |

See accompanying independent auditor's report.



**City of Keokuk**  
**Bond and Note Maturities**  
**June 30, 2009**

| <b>General Obligation Bonds</b> |  |                     |  |                     |   |                     |  |                     |  |                     |                      |
|---------------------------------|--|---------------------|--|---------------------|---|---------------------|--|---------------------|--|---------------------|----------------------|
| Year Ending<br>June 30,         | <u>General Obligation Bonds</u><br><u>Issued May 1, 2002</u> |                     | <u>Refunding Capital Notes</u><br><u>Issued November 1, 2005</u> |                     | <u>Capital Loan Notes</u><br><u>Issued August 1, 2006</u> |                     | <u>Capital Loan Notes</u><br><u>Issued May 1, 2007</u> |                     | <u>Capital Loan Notes</u><br><u>Issued May 1, 2009</u> |                     | Total                |
|                                 | Interest<br>Rate   | Amount              | Interest<br>Rate   | Amount              | Interest<br>Rate  | Amount              | Interest<br>Rate                                       | Amount              | Interest<br>Rate                                       | Amount              |                      |
| 2010                            | 4.10%  | \$ 265,000          | 4.00%  | \$ 245,000          | 6.00%   | \$ 30,000           | 4.25%  | \$ 115,000          | 5.00%  | \$ 100,000          | \$ 755,000           |
| 2011                            | 4.20%  | 280,000             | 4.00%  | 260,000             | 6.00%   | 30,000              | 4.25%  | 120,000             | 5.00%  | 100,000             | 790,000              |
| 2012                            | 4.30%  | 290,000             | 4.00%  | 270,000             | 6.00%   | 35,000              | 4.25%  | 125,000             | 5.00%  | 100,000             | 820,000              |
| 2013                            | 4.35%  | 300,000             | 3.55%  | 280,000             | 4.20%   | 35,000              | 4.25%  | 130,000             | 5.00%  | 105,000             | 850,000              |
| 2014                            | 4.45%  | 315,000             | 3.65%  | 290,000             | 4.25%   | 25,000              | 4.00%  | 140,000             | 5.00%  | 110,000             | 880,000              |
| 2015                            | 4.60%  | 330,000             | 3.70%  | 225,000             | 4.30%   | 85,000              | 4.05%  | 145,000             | 5.00%  | 120,000             | 905,000              |
| 2016                            | 4.70%  | 345,000             | -  | -                   | 4.35%   | 50,000              | 4.10%  | 150,000             | 5.00%  | 125,000             | 670,000              |
| 2017                            | 4.80%  | 360,000             | -  | -                   | 4.40%   | 50,000              | 4.15%  | 155,000             | 5.00%  | 130,000             | 695,000              |
| 2018                            | -  | -                   | -  | -                   | 4.25%   | 205,000             | -  | -                   | 5.00%  | 135,000             | 340,000              |
| 2019                            | -  | -                   | -  | -                   | 4.30%   | 215,000             | -  | -                   | 4.25%  | 145,000             | 360,000              |
| 2020                            | -  | -                   | -  | -                   | 4.30%   | 225,000             | -  | -                   | 4.35%  | 150,000             | 375,000              |
| 2021                            | -  | -                   | -  | -                   | 4.35%   | 235,000             | -  | -                   | 4.50%  | 155,000             | 390,000              |
| 2022                            | -  | -                   | -  | -                   | 4.38%   | 245,000             | -  | -                   | 4.70%  | 165,000             | 410,000              |
| 2023                            | -  | -                   | -  | -                   | 4.40%   | 255,000             | -  | -                   | 4.80%  | 170,000             | 425,000              |
| 2024                            | -  | -                   | -  | -                   | 4.40%   | 265,000             | -  | -                   | 4.90%  | 180,000             | 445,000              |
| 2025                            | -  | -                   | -  | -                   | 4.40%   | 265,000             | -  | -                   | 5.00%  | 185,000             | 450,000              |
| 2026                            | -  | -                   | -  | -                   | 4.40%   | 300,000             | -  | -                   | 5.10%  | 190,000             | 490,000              |
| 2027                            | -  | -                   | -  | -                   | -   | -                   | -  | -                   | 5.15%  | 200,000             | 200,000              |
| 2028                            | -  | -                   | -  | -                   | -   | -                   | -  | -                   | 5.20%  | 210,000             | 210,000              |
| 2029                            | -  | -                   | -  | -                   | -   | -                   | -  | -                   | 5.25%  | 225,000             | 225,000              |
|                                 |  | <u>\$ 2,485,000</u> |  | <u>\$ 1,570,000</u> |   | <u>\$ 2,550,000</u> |  | <u>\$ 1,080,000</u> |  | <u>\$ 3,000,000</u> | <u>\$ 10,685,000</u> |

See accompanying independent auditor's report.

**City of Keokuk**  
**Bond and Note Maturities**  
**June 30, 2009**

| Revenue Bonds |                       |            |                     |            |              | Capital Loan Notes |                      |            |                         |            |            |
|---------------|-----------------------|------------|---------------------|------------|--------------|--------------------|----------------------|------------|-------------------------|------------|------------|
| Year          | Solid Waste Revenue   |            | Sewer Revenue       |            |              | Year               | Issued June 15, 2009 |            | Issued November 3, 2006 |            |            |
| Ending        | Issued April 24, 2008 |            | Issued July 1, 2007 |            |              | Ending             | Issued June 15, 2009 |            | Issued November 3, 2006 |            |            |
| June 30,      | Rate                  |            | Rate                |            | Total        | June 30,           | Rate                 |            | Rate                    |            | Total      |
|               | Rate                  | Amount     | Rate                | Amount     |              |                    | Rate                 | Amount     | Rate                    | Amount     |            |
| 2010          | 3.94%                 | \$ 60,000  | 0.00%               | \$ -       | \$ 60,000    | 2010               | 3.50%                | \$ 64,322  | 4.78%                   | \$ 50,000  | \$ 114,322 |
| 2011          | 3.94%                 | 60,000     | 0.00%               | 494,141    | 554,141      | 2011               | 3.50%                | 66,228     | 4.78%                   | 60,000     | 126,228    |
| 2012          | 3.94%                 | 65,000     |                     | -          | 65,000       | 2012               | 3.50%                | 68,567     | 4.78%                   | 60,000     | 128,567    |
| 2013          | 3.94%                 | 65,000     |                     | -          | 65,000       | 2013               | 3.50%                | 70,883     | 4.78%                   | 60,000     | 130,883    |
| 2014          | 3.94%                 | 70,000     |                     | -          | 70,000       | 2014               |                      | -          | 4.78%                   | 60,000     | 60,000     |
| 2015          | 3.94%                 | 75,000     |                     | -          | 75,000       | 2015               |                      | -          | 4.78%                   | 80,120     | 80,120     |
| 2016          | 3.94%                 | 75,000     |                     | -          | 75,000       | 2016               |                      | -          |                         | -          | -          |
| 2017          | 3.94%                 | 80,000     |                     | -          | 80,000       | 2017               |                      | -          |                         | -          | -          |
| 2018          | 3.94%                 | 80,000     |                     | -          | 80,000       | 2018               |                      | -          |                         | -          | -          |
| 2019          | 3.94%                 | 85,000     |                     | -          | 85,000       | 2019               |                      | -          |                         | -          | -          |
|               |                       | \$ 715,000 |                     | \$ 494,141 | \$ 1,209,141 |                    |                      | \$ 270,000 |                         | \$ 370,120 | \$ 640,120 |

See accompanying independent auditor's report.

**City of Keokuk**  
**Bond and Note Maturities**  
**June 30, 2009**

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| <b><u>Urban renewal tax increment</u></b> |                    |                      |
|---|--------------------|----------------------|
| <b><u>revenue capital loan note</u></b>   |                    |                      |
| <b><u>Issued September 1, 2008</u></b>    |                    |                      |
| <b>Year Ending</b>                        | <b>Interest</b>    |                      |
| <b><u>June 30,</u></b>                    | <b><u>Rate</u></b> | <b><u>Amount</u></b> |
| 2010                                      | 4.50%              | \$ 110,000           |
| 2011                                      | 4.75%              | 115,000              |
| 2012                                      | 5.125%             | 120,000              |
| 2013                                      | 5.25%              | 125,000              |
| 2014                                      | 5.375%             | 130,000              |
| 2015                                      | 5.375%             | 140,000              |
| 2016                                      | 5.50%              | 145,000              |
| 2017                                      | 5.625%             | 155,000              |
| 2018                                      |                    | -                    |
| 2019                                      | 5.75%              | 330,000              |
| 2020                                      |                    | -                    |
| 2021                                      |                    | -                    |
| 2022                                      |                    | -                    |
| 2023                                      | 6.00%              | 790,000              |
| 2024                                      |                    | -                    |
| 2025                                      |                    | -                    |
| 2026                                      |                    | -                    |
| 2027                                      |                    | -                    |
| 2028                                      | 6.00%              | <u>1,295,000</u>     |
|   |                    | <u>\$ 3,455,000</u>  |

See accompanying independent auditor's report.

**City of Keokuk**  
**Schedule of Receipts by Source and Disbursements by Function**  
**All Governmental Fund Types**

|                                    | Year Ended June 30,  |                      |                      |                     |                     |                     |                     |
|------------------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | <u>2009</u>          | <u>2008</u>          | <u>2007</u>          | <u>2006</u>         | <u>2005</u>         | <u>2004</u>         | <u>2003</u>         |
| Receipts:                          |                      |                      |                      |                     |                     |                     |                     |
| Property tax                       | \$ 3,401,013         | \$ 3,383,054         | \$ 5,686,286         | \$ 5,233,320        | \$ 5,151,427        | \$ 5,467,107        | \$ 5,715,165        |
| Tax increment financing            | 1,064,215            | 1,036,347            | 428,735              | 281,426             | 394,507             | 339,849             | 318,243             |
| Other city tax                     | 2,625,428            | 2,487,089            | -                    | -                   | -                   | -                   | -                   |
| Use of money and property          | 263,587              | 481,309              | 456,053              | 238,818             | 187,059             | 216,807             | 217,866             |
| Licenses and permits               | 156,705              | 161,416              | 153,330              | 150,293             | 163,742             | 63,685              | 74,946              |
| Intergovernmental                  | 4,821,069            | 2,494,575            | 1,733,506            | 2,325,377           | 2,161,785           | 1,867,060           | 2,385,411           |
| Charges for services               | 221,190              | 164,847              | 194,165              | 212,194             | 241,114             | 254,060             | 184,625             |
| Miscellaneous                      | <u>291,241</u>       | <u>165,213</u>       | <u>146,134</u>       | <u>835,057</u>      | <u>269,090</u>      | <u>266,688</u>      | <u>264,657</u>      |
| Total                              | <u>\$ 12,844,448</u> | <u>\$ 10,373,850</u> | <u>\$ 8,798,209</u>  | <u>\$ 9,276,485</u> | <u>\$ 8,568,724</u> | <u>\$ 8,475,256</u> | <u>\$ 9,160,913</u> |
| Disbursements:                     |                      |                      |                      |                     |                     |                     |                     |
| Public safety                      | \$ 3,971,172         | \$ 4,054,327         | \$ 4,978,881         | \$ 3,858,498        | \$ 3,856,541        | \$ 3,674,279        | \$ 3,682,830        |
| Public works                       | 3,827,983            | 1,418,235            | 1,370,077            | 1,367,974           | 1,326,854           | 1,317,452           | 1,452,305           |
| Culture and recreation             | 1,171,850            | 1,059,749            | 1,068,664            | 1,560,772           | 1,132,176           | 1,206,421           | 1,210,640           |
| Community and economic development | 1,485,349            | 370,196              | 369,678              | 155,496             | 114,447             | 193,298             | 389,689             |
| General government                 | 523,056              | 584,972              | 493,239              | 524,259             | 512,685             | 536,495             | 598,778             |
| Debt service                       | 4,536,373            | 1,523,847            | 916,686              | 788,247             | 993,122             | 986,215             | 990,835             |
| Capital projects                   | <u>4,556,521</u>     | <u>2,437,932</u>     | <u>1,332,133</u>     | <u>1,250,768</u>    | <u>895,264</u>      | <u>575,254</u>      | <u>1,272,339</u>    |
| Total                              | <u>\$ 20,072,304</u> | <u>\$ 11,449,258</u> | <u>\$ 10,529,358</u> | <u>\$ 9,506,014</u> | <u>\$ 8,831,089</u> | <u>\$ 8,489,414</u> | <u>\$ 9,597,416</u> |

See accompanying independent auditor's report.

**City of Keokuk**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2009**

| <u>Federal Agency/Pass Through Agency Program - Grant Title</u>  | <u>CFDA Number</u> | <u>Grantor Program Number</u> | <u>Program Disbursements</u> |
|--|--------------------|-------------------------------|------------------------------|
| <u>Indirect:</u>   |                    |                               |                              |
| U.S. Department of Justice<br>Governor's Office of Drug Control Policy<br>Byrne Memorial State and Local Law Enforcement<br>Assistance Formula Grant Program | 16.738             | 08-JAG/C06-A01                | \$ <u>84,930</u>             |
| Department of Homeland Security<br>Disaster Grants - Public Assistance<br>Federal Emergency Management Agency  | 97.036             | DR-1763-IA                    | <u>1,641,890</u>             |
| Department of Housing and Urban Development<br>Iowa Department of Economic Development<br>Community Block Grant Program                                      | 14.228             | 07-HSG-023                    | <u>65,295</u>                |
| U.S. Department of Agriculture<br>Rural Business Enterprise Grant  | 10.769             | 16-056-426004829              | <u>50,000</u>                |
| <u>Direct:</u>   |                    |                               |                              |
| Department of Transportation<br>Federal Aviation Administration<br>Airport Improvement Program   | 20.106             | 3-19-0050-15                  | 61,233                       |
| Update Airport Master Plan   | 20.106             | 3-19-0050-16                  | <u>228,004</u>               |
|  |                    |                               | <u>289,237</u>               |
| Highway Planning and Construction  | 20.205             | EDP-3924(611)-7Y-56           | 245,742                      |
| Highway Planning and Construction  | 20.205             | EDP-3924(610)-7Y-56           | <u>350,000</u>               |
|  |                    |                               | <u>595,742</u>               |
| U.S. Department of Justice<br>Governor's Traffic Safety Bureau<br>Public Traffic Services - NHTSA  | 20.600             | PAP 09-04, Task 08            | 5,582                        |
| Public Traffic Services - NHTSA  | 20.600             | PAP 08-04, Task 08            | <u>4,056</u>                 |
|  |                    |                               | <u>9,638</u>                 |
|  |                    |                               | <u>\$ 2,736,732</u>          |

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Keokuk and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Keokuk, Iowa (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 1, 2009. Our report expressed unqualified opinions on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe none are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*CPA Associates PC*

December 1, 2009



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**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of City of Keokuk, Iowa (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We do not consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*CPA Associates PC*

December 1, 2009

**City of Keokuk**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 - Department of Transportation - Highway Planning and Construction
  - CFDA Number 97.036 - Department of Homeland Security - Disaster Grants - Public Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Keokuk did not qualify as a low-risk auditee.

**City of Keokuk  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009**

**Part II: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCY**

- II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

- II-B-09 Credit Cards - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - Although the City has not established a formal written policy detailing specifics on the use of City credit cards, they have unwritten guidelines. The City will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

**Instances of Non-Compliance:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**Instance of Non-Compliance:**

No matters were noted.

**SIGNIFICANT DEFICIENCY**

- III-A-09 Segregation of Duties over Federal Receipts - The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-09.

**City of Keokuk**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-09 Certified Budget - Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-C-09 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provision.

IV-D-09 Revenue Bond and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

IV-E-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-F-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session on March 12, 2009. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law nor was there a record of the votes of individual council members on the question of holding a closed session.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa.

Response - We will comply with the Code requirements for closed sessions.

Conclusion - Response accepted.

IV-H-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**City of Keokuk**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

**Part IV: Other Findings Related to Required Statutory Reporting (continued)**

IV-I-09    Separately Maintained Records - The Keokuk Historic Preservation Commission and Emergency Corp maintain separate checking accounts. These accounts are separate from the City's accounts allowing transactions to go unrecorded. Accordingly, certain donations and expenditures from these accounts are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response - We will meet with the Commissions and establish appropriate procedures.

Conclusion - Response accepted.

IV-J-09    Cash Management of Federal Award Advances – The City does not have a procedure in place to track and report interest earned on federal award advances that are not expended within a reasonable amount of time.

Recommendation - The City should establish a procedure to track interest earned on federal award advances that are not expended within a reasonable amount of time and to report interest earned to the appropriate federal agency.

Response - The City will establish procedures.

Conclusion - Response accepted.

**City of Keokuk  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2009**

**Prior Audit Findings for Federal Awards**

**SIGNIFICANT DEFICIENCY**

III-A-08 Segregation of Duties over Federal Receipts - City of Keokuk did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs.

Recommendation - It was recommended that the City review its control procedures to obtain the maximum internal control possible under the circumstances, and should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Current Status - Due to the limited number of office employees, segregation of duties over federal receipts continues to be a significant deficiency. See III-A-09 in the current year findings.